

Message Text

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TO AMEMBASSY JAKARTA NIACT IMMEDIATE

C O N F I D E N T I A L STATE 115027

FOR VICE PRESIDENT'S PARTY - HEGINBOTHAM

E.O. 11652:GDS

TAGS: ENRG, ID, OVIP (MONDALE, WALTER F.)

SUBJECT: VICE PRESIDENT'S VISIT: POSSIBLE TALKING POINT
ON INDONESIAN PETROLEUM SALES IN U.S.

REF: JAKARTA 5848

1. YOU MAY DRAW ON THE FOLLOWING BACKGROUND INFORMATION
(AS WELL AS THAT AVAILABLE TO PETROLEUM ATTACHE LARRY
TAYLOR IN JAKARTA) IN TALKING POINTS FOR VICE PRESIDENT.

A) U.S. PETROLEUM IMPORTS WORLDWIDE HAVE DECLINED BY 10
PERCENT IN THE LAST YEAR.

B) IMPORTS FROM INDONESIA HAVE OF COURSE BEEN AFFECTED BY
THE GENERAL DECREASED DEMAND IN THE U.S. FOR FOREIGN OIL.
THIS IS MAINLY THE RESULT OF INCREASED U.S. DOMESTIC
(ALASKAN) OIL PRODUCTION. AS A MAJOR PROPORTION OF
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INDONESIAN SALES ARE TO CALIFORNIA, WHERE ALASKAN CRUDE IS
INCREASINGLY AVAILABLE, INDONESIAN SALES THERE HAVE
DECLINED SUBSTANTIALLY.

C) WE PARTICULARLY VALUE FOR OUR DOMESTIC USE INDONESIA'S
HIGH QUALITY, LOW SULPHUR CRUDE. INDONESIA IS, OF COURSE,
AWARE OF U.S. OIL CONSERVATION EFFORTS AND THE AIM OF THE

U.S. GOVERNMENT TO REDUCE OUR DEPENDENCY ON FOREIGN OIL
AND THE GOAL OF A DECREASE IN LEVELS OF IMPORTS BY THE
1980'S.

D) DEPARTMENT HAS BEEN INFORMED BY CALTEX THAT THEY HAVE
TAKEN OVER MARKETING OF MOST OF THE OIL FROM BOTH COMPANY
AND PERTAMINA SHARES OF MINAS CRUDE (ALMOST HALF OF TOTAL
INDONESIAN PRODUCTION) FOR WHICH THERE HAS BEEN SUBSTANTIAL
SALES DIFFICULTY. SOURCE INDICATED THAT SO FAR CALTEX,
BY STRENUOUS EFFORTS (AND CUTTING OF PROFIT MARGINS),
HAS BEEN ABLE TO FIND ALTERNATIVE MARKETS TO MAKE UP FOR
DECLINES IN CALIFORNIA AND SOFTNESS IN JAPANESE MARKET
ALSO. HOWEVER, FURTHER CRUNCH IS EXPECTED IN SUMMER WHEN
CALIFORNIA STORAGE TANKS ARE FULL.

E) VICE PRESIDENT MAY WISH TO MENTION THAT INDONESIA CAN
BEST INSURE ITS POSITION IN THE CURRENT "SOFT" MARKET FOR
PETROLEUM BY KEEPING ITS PRICES AT COMPETITIVE LEVELS.
FYI: THE INDONESIANS (WIJARSO HERE RECENTLY) HAVE
MAINTAINED THAT THEY HAVE NOT AND DO NOT INTEND TO CUT
THEIR CRUDE PRICES AS HAVE NIGERIA, LIBYA AND ALGERIA ON
SIMILAR LOW SULPHUR OILS. HOWEVER, CALTEX INFORMS THAT
INDOS HAVE BEGUN TO DO SO THROUGH VARIOUS MEANS SUCH AS
SALES TERMS. END FYI.

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F) U.S. IMPORTS OF INDONESIAN CRUDE HAVE DECLINED
SUBSTANTIALY OVER THE PAST YEAR AS FOLLOWS: 1ST HALF OF
1977 (MONTHLY BASIS) - 549 THOUSAND BARRELS/DAY (TB/D),
3RD QUARTER OF 1977 - 452 TB/D, 4TH QUARTER OF 1977 - 452
TB/D, JANUARY 1978 - 401 TB/D, FEBRUARY 1978 - 366 TB/D.
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